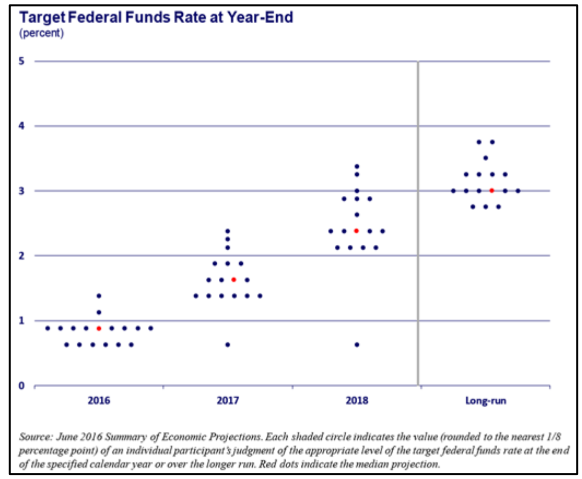
NorthView
ASSET MANAGEMENT

Second Quarter 2016 Market Review

July 2016

Economic Summary

Federal Open Market Committee (FOMC)



Given relatively weak domestic economic readings and global economic and financial developments, the FOMC made no changes to its interest rate or balance sheet policies during the quarter. The latest Fed meeting minutes stated that "participants generally thought that it would be prudent to wait for the outcome of the upcoming referendum in the United Kingdom on membership in the European Union in order to assess the consequences of the vote for global financial market conditions and the U.S. economic outlook."

Current inflation pressures are primarily occurring in the housing and healthcare categories. However, the Fed is concerned about future inflation, not past. Thus, the question is where will future inflation likely occur? Commodities are an unlikely candidate given their inability to sustain price gains. Manufacturing appears unlikely given its excess capacity and the strong US dollar. The wildcard is the labor market. As stated by the Fed, "we believe we are now close to eliminating the slack that has weighed on the labor market since the recession," and "we expect inflation to move back to 2 percent as the impact of lower oil prices and the strong dollar fades".

The chart at the top right depicts the FOMC's projection for the federal funds rate at the end of 2016, 2017 and 2018. Their current projection indicates a rate of 0.875% at the end of 2016 which implies two more rate hikes this year. However, the market only anticipates one rate hike in 2016 and one in 2017.

Real Gross Domestic Product (GDP)

Real GDP measures the value of all goods and services produced by the nation's economy. It consists of four major categories: personal consumption, private investment, government spending and net exports.

Real GDP increased at an annual rate of +1.2% in the second quarter, according to the "advance" estimate released by the Bureau of Economic Analysis. This follows a revised growth rate of +0.8% in 1Q 2016 and a revised growth rate of +0.9% in 4Q 2015. The second quarter result was well below the 2.6% expected by analysts and affirms the mixed economic data published during the quarter. On a positive note, consumer spending remains resilient.

The increase in GDP in the second quarter reflects positive contributions from personal consumption expenditures on goods and services that were partially offset by negative contributions from private investment and federal government spending. Exports, which are an addition to in the calculation of GDP, were positive.

Data as of June 30, 2016			
Economic Growth	**2Q16**	**1Q16**	**4Q15**
Real GDP [1]	**1.2%**	**0.8%**	**0.9%**
Personal Consumption [2]	**2.8%**	**1.1%**	**1.5%**
Goods [2]	*1.4%*	*0.2%*	*0.5%*
Services [2]	*1.4%*	*0.9%*	*1.0%*
Private Investment [2]	**-1.7%**	**-0.5%**	**-0.4%**
Nonresidential [2]	*-0.3%*	*-0.4%*	*-0.4%*
Residential [2]	*-0.2%*	*0.3%*	*0.4%*
Inventories [2]	*-1.2%*	*-0.4%*	*-0.4%*
Government [2]	**-0.2%**	**0.3%**	**0.2%**
Federal [2]	*0.0%*	*-0.1%*	*0.3%*
State [2]	*-0.2%*	*0.4%*	*-0.1%*
Net Exports [2]	**0.2%**	**0.0%**	**-0.4%**
Exports [2]	*0.2%*	*-0.1%*	*-0.3%*
Imports [2]	*0.0%*	*0.1%*	*-0.1%*

[1] Annualized Q/Q % Change, [2] Contribution to GDP Growth

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We continue to anticipate 2.0% to 2.5% GDP growth in the coming quarters as labor gains and reduced energy costs support sustained consumer spending.

Inflation

The table at the right illustrates the annualized (YoY) change in the unadjusted Consumer Price Index (CPI) at the headline and core level. Also included are the eight subcomponents of Headline CPI and the two subcomponents (food and energy) removed from Headline CPI to calculate Core CPI. The Energy subcomponent is a collection of sub-indexes in Housing and Transportation.

Inflationary pressures inched higher during the quarter. Headline CPI increased +1.0% on a year-over-year basis at quarter-end. When making decisions on monetary policy, the Fed is more concerned with the less volatile Core CPI, which excludes food and energy. Core CPI increased +2.3% for the 12 months ending June.

Data as of June 30, 2016				
Inflation	**Weight**	**YoY 6/16**	**YoY 3/16**	**YoY 12/15**
Headline CPI	**100%**	**1.0%**	**0.9%**	**0.7%**
Housing	42%	2.4%	2.1%	2.1%
Food/Beverage	15%	0.4%	0.8%	0.8%
Transportation	15%	-3.7%	-4.1%	-4.1%
Medical Care	8%	3.7%	3.3%	2.6%
Education	7%	1.1%	1.3%	1.4%
Recreation	6%	1.0%	1.1%	0.7%
Apparel	3%	0.4%	-0.6%	-0.9%
Other	4%	1.9%	2.0%	1.9%
Core CPI	**77%**	**2.3%**	**2.2%**	**2.1%**
Food/Beverage	15%	0.4%	0.8%	0.8%
Energy	8%	-9.4%	-12.6%	-12.6%

Business

The Conference Board's Leading Economic Index (LEI) increased +0.3% in June following a small decline in May and a modest increase in April. For the six-month period ending June, the leading economic index increased +0.3%. The index suggests moderating economic growth in the US for the balance of 2016. However, the economic expansion appears resilient enough to weather volatility in financial markets and moderating labor markets.

Data as of June 30, 2016			
Key Business Indicators	**6/16**	**5/16**	**4/16**
Leading Economic Index	123.7	123.3	123.6
Leading Economic Index (3)	0.3%	-0.2%	0.5%
Durable Goods Orders (3)	-4.0%	-2.8%	3.2%
ISM Manufacturing	53.2	51.3	50.8
ISM Service	56.5	52.9	55.7

(3) M/M % Change

According to the Institute for Supply Management (ISM) Manufacturing Report on Business, economic activity expanded in June for the 4th consecutive month. The Purchasing Manager's Index (PMI) ended June with a reading of 53.2%. Based on the past relationship between PMI and the overall economy indicates that the average PMI reading between January and June of 50.8% corresponds to a +2.4% increase in real gross domestic product. *(While a reading below 50.0 in the overall index denotes contraction, the ISM stipulates that a reading above 43.1, over a period of time, generally indicates an expansion in overall economic activity.)*

The Non-manufacturing ISM Report on Business indicates economic activity in the non-manufacturing sector grew in June for the 77th consecutive month. The Non-Manufacturing Index (NMI) ended June with a reading of 56.5%. Based on the past relationship between NMI and the overall economy indicates that the June reading corresponds to a +3.0% increase in real gross domestic product. *(A reading above 50% indicates that the non-manufacturing economy is generally expanding and a reading below 50% indicates that it is generally contracting.)*

Consumer

The U.S. consumer continues to spend thanks to low energy prices, low unemployment, slightly higher wages and reduced debt. However, consumers continued deleveraging suggests only modest U.S. economic growth for the balance of the year.

Data as of June 30, 2016			
Key Consumer Indicators	**6/16**	**5/16**	**4/16**
Consumer Confidence	98.0	92.4	94.7
Auto Sales (4)	16.6	17.4	17.3
Retail Sales (3)	0.6%	0.2%	1.2%

(3) M/M % Change, (4) Monthly Seasonally Adjusted Annual Rate in Millions

Consumer Confidence increased in June as consumer's assessment of near-term prospects labor market and personal income prospects brightened following the first quarters financial market turmoil. Overall, consumers remain cautiously optimistic about economic growth in the short-term. This sentiment suggests no material deterioration in near-term economic conditions, but no material strengthening either.

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Housing

The housing market remains on solid footing according to data released during the second quarter. Housing starts in June came in at an annualized rate of 1.2 million units, up +4.8% from May but down -2.0% from June 2015. Housing permits in June came in at an annualized rate of 1.2 million units, up +1.5% from May but down -13.6% from June 2015.

Data as of June 30, 2016			
Key Housing Indicators	**6/16**	**5/16**	**4/16**
Housing Starts [5]	1,189	1,135	1,155
Building Permits [5]	1,153	1,136	1,130
New Home Sales [5]	592	572	572
Existing Home Sales [5]	5,570	5,510	5,430

[5] Monthly Seasonally Adjusted Annual Rate in Thousands

Existing-home sales data remains positive with June sales advancing at an annualized rate of 5.6 million units, up +1.1% from May and up +3.0% from June 2015. The combined effect of rising demand and limited supply helped maintain the national median sales price at an all-time high of $247,700.

The favorable combination of historically low mortgage rates and the millennial generation looking to settle down with families and buy homes should continue to provide an upward trend in housing.

Employment

The average monthly gain in total nonfarm employment during the second quarter was 147,000, well behind the monthly average of 229,000 in 2015 and 251,000 in 2014. Job gains were primarily in retail trade, telecommunications and health care. As a result, the unemployment rate dropped to 4.9%.

The labor force participation rate, which measures the percentage of the total population aged 16 and above who are currently employed or are unemployed and actively seeking employment, declined from 63.0% in March to 62.7% in June.

Data as of June 30, 2016			
Key Labor Indicators	**6/16**	**5/16**	**4/16**
Unemployment Claims [6]	268	275	261
Nonfarm Payrolls [7]	287	11	144
Unemployment Rate	4.9%	4.7%	5.0%
Under-employment Rate	9.6%	9.7%	9.7%
Labor Force Participation Rate	62.7%	62.6%	62.8%

[6] Four Week Moving Average in Thousands
[7] Month over Month Change in Thousands

More importantly, the tightening labor market has resulted in long-awaited signs of wage growth. Average hourly earnings increased 2.32% over the past 12 months.

The view forward

Overall, domestic economic indicators were mixed during the second quarter. However, we continue to believe the prospects for 2016 appear favorable based on positive trends in consumer spending, job gains, wage growth, housing and inflation. We expect the U.S. economy to grow at annualized rate of +2.0% to +2.5% in 2016 due in large part to continued low energy prices and lower unemployment, a combination that produces stronger consumer purchasing power. We expect inflation to remain muted throughout 2016 and become a topic once again in 2017 as a tighter labor market results in continued wage gains.

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Equity Summary

A generally quiet quarter until BREXIT

Stocks were range bound throughout the quarter prior to Britain's vote on June 23rd to exit the European Union. The results of Britain's election caught investors off guard and virtually every major equity index plummeted at the open on June 24th and continued their sell off on June 27th. Fortunately, most of these losses were recovered over the last three trading days of the quarter.

All in all, the S&P 500 stock index gained +2.5% during the second quarter and is up +3.8% year-to-date. Better than expected economic data and improved consumer sentiment contributed to the second quarter results.

Market Cap and Style

Large, mid and small-cap stocks all posted positive returns for the quarter, with small-cap stocks leading the charge. Value stocks outperformed growth stocks across each market cap.

Sectors

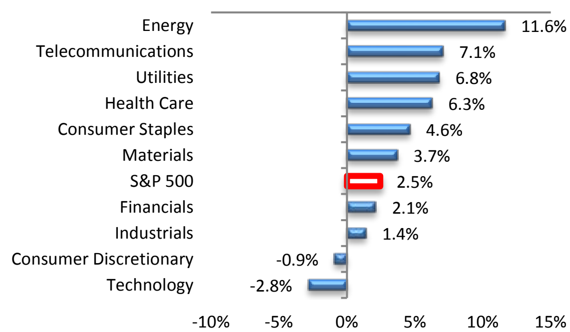
The ten primary economic sectors continue to generate significant dispersion in performance. Investors have become more defensive in selecting US stocks as illustrated by the best performing sectors being the yield heavy utilities and telecommunications sectors, each up over 23% year-to-date. While financials have been seen the weakest performance this year, down -3.1%, as hopes for higher interest rates easing margin pressures have not materialized.

Oil prices recovering from the mid $20's to the mid $40's per barrel helped propel the energy sector up +11.6% during the quarter. The risk-off, defensive sectors of telecommunications and utilities followed with gains of +7.1% and +6.8%, respectively. The technology and consumer discretionary sectors were the weakest performers during the quarter posting losses of -2.8% and -0.9%, respectively.

Domestic Equity	Total Return as of June 30, 2016			
	QTD	YTD	2015	2014
Major Indices				
DJIA	2.1%	4.3%	0.2%	10.0%
S&P 500	2.5%	3.8%	1.4%	13.7%
Nasdaq	-0.2%	-2.6%	7.1%	14.7%
Market Cap				
Large (1)	2.5%	3.8%	0.9%	13.3%
Mid (2)	3.2%	5.5%	-2.5%	13.2%
Small (3)	3.8%	2.2%	-4.4%	4.9%
Style – Growth				
Large	0.6%	1.4%	5.7%	13.1%
Mid	1.6%	2.2%	-0.2%	11.9%
Small	3.2%	-1.6%	-1.4%	5.6%
Style - Value				
Large	4.6%	6.3%	-3.8%	13.5%
Mid	4.8%	8.9%	-4.8%	14.8%
Small	4.3%	6.1%	-7.5%	4.2%

(1) Russell 1000, (2) Russell Midcap, (3) Russell 2000

S&P 500 Total Returns by Sector - 2Q 2016



Corporate revenue and earnings

According to FactSet, first quarter earnings declined -6.7% and the estimated earnings decline for the second quarter is -5.3%. First quarter revenues declined -1.5% and the estimated revenue decline for the second quarter is -0.8%. If the second quarter projections hold true, it will mark first time the index has recorded five consecutive quarters of year-over-year earnings declines and six consecutive quarters of revenue declines since Q3 2008.

Still watching earnings

Our outlook for U.S. equities is neutral. Corporate earnings continued to be pressured by the strong U.S. dollar and an uptick in wage growth. Volatility remains likely as price/earnings (P/E) multiples are trending above their ten-year average while earnings are trending below their ten-year average. We believe overall stock market volatility will be driven by the ultimate trajectory of corporate earnings growth and FOMC interest rate decisions.

The view forward

In the current environment we are currently a hold on equities and will look to add equity exposure when credit spreads stabilize and the equity indices move back into the range of their average P/E multiple over the past 5 to 10 years.

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Taxable Bond Summary

Treasury yields near record lows

Yields on U.S. Treasury bonds were range bound throughout the quarter prior to Britain's vote on June 23rd to exit the European Union. A weak jobs report for May followed closely by the Brexit vote sent investors fleeing to the relative safety of the U.S. Treasury market. As a result, yields declined sharply across all maturities. (Bond prices and yields move in opposite directions.) The treasury curve also flattened as short term rates declined less than longer term rates. The yield on the benchmark 10-year Treasury fell 29 basis points to 1.49% and the yield on the 30-year Treasury fell 31 basis points to 2.30%.

U.S. Treasury Yield Curve (%)					
	Jun16	Mar16	Dec15	QTR Change	YTD Change
2 Year	0.58%	0.73%	1.06%	-15 bps	-48 bps
5 Year	1.01%	1.21%	1.76%	-20 bps	-75 bps
10 Year	1.49%	1.78%	2.27%	-29 bps	-78 bps
30 Year	2.30%	2.61%	3.01%	-31 bps	-71 bps

U.S. Treasury yields remain meaningfully higher than yields on other high-quality global sovereign debt, drawing more investors into the U.S. government bond market in search of yield. At the end of the second quarter, the yield on German, Japanese and United Kingdom 10-year government bonds were -0.13%, -0.22% and +0.87%, respectively.

Taxable bonds post strong returns

The Barclays Aggregate Bond Index increased 2.2% in the second quarter.

Within the Barclays Aggregate Index, investment-grade corporate bonds produced solid returns of +3.6% for the quarter. Consistent with the equity market, the best performing sector within the corporate bond market was the risk-off, defensive play in the utility sector which was up +4.6%.

Positive momentum in the oil and equity markets during the quarter led to healthy gains for high yield bonds. The energy and metals/mining sectors, which account for a large proportion of the noninvestment-grade bond market, led the recovery up +18.3 and +15.2%, respectively.

Credit spreads measure the additional yield above that of a comparable-maturity Treasury security that investors demand for holding a bond with credit risk. Credit spreads narrowed meaningfully during the quarter as risk-seeking sentiment continues to gain steam. Ultimately, credit spreads narrowed by 7 basis points on corporate bonds, widened by 3 basis points on securitized bonds and narrowed by 62 basis points on high yield debt bonds.

Domestic Taxable Bonds	Returns as of June 30, 2016			
	QTD	YTD	2015	2014
Index				
Barclays Aggregate	2.2%	5.3%	0.6%	6.0%
Sectors				
Treasury	2.1%	5.4%	0.8%	5.1%
Agency	1.7%	4.2%	-0.4%	3.7%
Corporate	3.6%	7.7%	-0.7%	7.5%
Securitized	1.2%	3.3%	1.5%	5.9%
Quality				
Aaa	1.7%	4.4%	1.1%	5.3%
Aa	2.6%	6.0%	1.0%	6.1%
A	3.1%	7.1%	0.5%	7.5%
Baa	4.3%	8.8%	-2.7%	8.2%
< Baa	5.5%	9.1%	-4.5%	2.5%
Maturity				
Short (1)	0.7%	1.7%	0.7%	0.8%
Intermediate (2)	1.6%	4.2%	1.2%	5.0%
Long (3)	6.6%	14.3%	-3.3%	17.7%

(1) Short 1-3 Years, (2) Intermediate 5-7 Years, (3) Long 10+ Years

New issue activity

Both investment grade and high yield bond issuance was heavy in the second quarter. In all, issuers brought $350 billion in new investment grade issues, $85 billion in new high yield issues and $450 billion in new issue mortgage-backed securities during the quarter.

The view forward

We continue to underweight Treasury and Agency bonds in favor of Corporate and Securitized bonds. As market conditions allow, and as appropriate for each client, we will shorten duration, improve credit quality and increase coupons in anticipation of gradually rising interest rates in 2017.

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Municipal Bond Summary

Municipal yields follow Treasury yields lower

Yields on U.S. Municipal bonds capitulated and followed Treasury yields lower during the quarter. As a result, yields declined sharply across all maturities. (Bond prices and yields move in opposite directions.) The municipal curve also flattened as short term rates declined less than longer term rates. 30 Year municipal yields fell to historic lows in spite of negative credit headlines in Illinois, Kentucky, Connecticut and Puerto Rico.

U.S. AAA Municipal Yield Curve (%)					
	Jun16	Mar16	Dec15	QTR Change	YTD Change
2 Year	0.62%	0.71%	0.74%	-10 bps	-12 bps
5 Year	0.92%	1.10%	1.32%	-18 bps	-40 bps
10 Year	1.36%	1.67%	2.00%	-31 bps	-64 bps
30 Year	2.18%	2.62%	3.89%	-44 bps	-71 bps
Municipal AAA Yield to Treasury Yield Ratio (%)					
2 Year	107%	98%	70%	+9%	+37%
5 Year	91%	91%	75%	+0%	+16%
10 Year	91%	94%	88%	-3%	+3%
30 Year	95%	100%	96%	-5%	-1%

Relative to Treasuries, the short end of the municipal yield curve got cheaper as the 2-year municipal to treasury ratio increased from 98% to 107% while the longer end of the curve got more expensive as the 30-year municipal to year treasury ratio declined from 100% to 95%. Given a 35% income tax rate, an investor would be neutral between municipal bonds and treasury bonds at a ratio of 65%. Anything above a 65% ratio an investor would prefer municipal bond, anything below and an investor would prefer treasuries.

Municipal bonds rally

Insulated from the volatility of international markets and supported by generally strong credit quality, municipal posted a solid gain of +2.6% during the quarter as measured by the Barclays Municipal Bond Index. The municipal market has been remarkably resilient over the past several years as investors continue to be attracted by the taxable equivalent and absolute yields on municipal securities.

General obligation bonds, revenue bonds and the largest municipal issuers performed in line with the Barclays Municipal Bond Index this quarter with the notable exception of Illinois. Higher-rated (Aaa) municipal bonds underperformed lower-rated (Baa) and (<Baa) municipal bonds during the quarter as investors maintain their search for yield.

Longer maturity bonds outperformed their shorter maturity counterparts during the quarter +2.5% to +0.7%.

There continues to be a steady supply of municipal bond issuance as indicated by the $120 billion issued during the second quarter.

Domestic Municipal Bonds	Returns as of June 30, 2016			
	QTD	YTD	2015	2014
Index				
Barclays Muni Bond	2.6%	4.3%	3.3%	9.0%
Bond Type				
General Obligation	2.4%	4.0%	3.1%	7.8%
Revenue	2.9%	4.8%	3.6%	10.1%
Largest Issuers				
California	2.6%	4.3%	3.5%	10.0%
Florida	2.6%	4.3%	3.6%	8.8%
Illinois	3.3%	5.0%	2.4%	10.4%
New York	2.5%	4.2%	3.4%	8.6%
Texas	2.9%	4.7%	3.5%	9.4%
Quality				
Aaa	2.2%	3.7%	2.7%	6.3%
Aa	2.4%	4.0%	3.2%	8.2%
A	3.1%	5.1%	3.7%	10.5%
Baa	3.2%	5.3%	4.2%	14.5%
<Baa	5.1%	8.0%	1.8%	13.9%
Maturity				
Short	0.7%	1.5%	1.2%	1.2%
Intermediate	1.7%	3.2%	3.3%	6.1%
Long	2.5%	4.5%	3.8%	8.7%

(1) Short 3 Years, (2) Intermediate 6-8 Years, (3) Long 8-12 Years

Municipal credit concerns

Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) creating an oversight board that is charged with monitoring the island's finances and given the power to initiate debt restructuring efforts. The Act also prohibits debt-related litigation against the Commonwealth until 2017.

Illinois finished its fiscal year without adopting a formal budget. Legislators passed a stopgap budget which does not fully fund the fiscal year. The lack of a formal state budget is starting to have an impact the yield investors demand to purchase Illinois municipal debt as illustrated by the State's June bond issuance.

The view forward

We continue to believe that municipals offer good value, especially when compared to other asset classes on a taxable equivalent basis. We favor A-rated bonds in the intermediate part of the curve. As market conditions allow, and as appropriate for each client, we will look to shorten duration, improve credit quality and increase coupons in anticipation of gradually rising interest rates in 2017.

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Economic Index Descriptions

Real Gross Domestic Product (GDP): Real GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive Real GDP growth signals an expanding economy.

Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services. Core CPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components of for the U.S. include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.

Durable Goods Orders: An economic indicator released monthly by the Bureau of Census that reflects new orders placed with domestic manufacturers for delivery of factory hard goods (durable goods) in the near term or future. Durable goods orders come in two releases per month: the advance report on durable goods and the manufacturers' shipments, inventories and orders.

The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.

The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.

Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards topics such as the business climate, personal finances and spending. In essence, this index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.

Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.

Domestic Equity Benchmark Descriptions

Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).

Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.

Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.

Large Cap: The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

Large Cap Growth: The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Large Cap Value: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Mid Cap Growth: The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Mid Cap Value: The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Small Cap Growth: The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

Small Cap Value: The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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Domestic Fixed Income Benchmark Descriptions

U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS (agency fixed-rate and hybrid ARM pass-through), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity.

U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade U.S. dollar-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.

U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least 1 year until final maturity.

General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.

Revenue Bond Index: The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.

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